

**Options for Expanding Health Insurance Coverage to Michigan’s Uninsured
Status of Options Review by Sub-Groups
12/5/05**

I. Pooling/Insurance Reforms Sub-Group:

- a. Unsubsidized Health Insurance Purchasing Cooperatives for Small Employers:
Status: After examining several alternative versions of this approach, we followed the advice of the SBAM representative, who said that all coops he had managed failed due to adverse selection after 3-5 years; e.g., the pool ends up with all the high-risk enrollees, and lower cost insurers cover all the young, healthy employees.
- b. Purchasing Cooperatives Offering Subsidized Health Insurance for Low-Wage Small Firms:
Status: This approach has the same adverse selection problem as above, plus the problem of funding subsidies. The “basic coverage” group is dealing with 3-share plans, which are a special case of this approach.
- c. Subsidized and Unsubsidized Buy-in to State Employees’ or other Plan:
Status: The group continues to pursue this option, but has acknowledged problems with its viability.
- d. Reinsurance Pools:
Status: Reinsurance is embedded in any regular insurance product. Although a high-risk pool could be undertaken by the State, there is not evidence to suggest that this would stabilize or benefit the insurance marketplace in Michigan.
- e. Insurance Reforms, such as Rate Compression and Community Rating to Place Limits on Extent to which Premiums May Vary Based on Health Status, Age, Etc.:
Status: The Small-Market Reform legislation effective January 2004 has addressed many of these factors. It is too early to evaluate the ways in which this law may have changed the market.

II. Medicaid/SCHIP Expansion Sub-Group:

- a. Extending Medicaid Coverage to Parents for Families with Incomes Beyond the Current Percent of Poverty – Without An 1115 Waiver Modification
Status: We are currently working on this option.
- b. Extend Medicaid to the Medically Needy Populations by:
 - i. Allowing Buy-In to Spend-Down Program
 - ii. Disregarding Additional Income so that Recipients are Not Required to Spend-Down Below 100% of FPL**Status:** We are currently working on this option.
- c. Create a State-Funded Medicaid Buy-In Program to Cover Uninsured using Existing Medicaid Infrastructure.
Status: In the future, we will look into this option and present our findings.

III. Basic Benefit/Specific Subpopulations Sub-Group:

- a. Three-Share or Subsidized Employer-Based Coverage Programs
- b. Limited Benefit Coverage Programs
- c. Limited Primary Care and Catastrophic Coverage Insurance, including Basic OR, Dental and Mental Health Services
- d. Coverage for People in Transition
- e. Extending Coverage for Young Adults (ages 19-24)
 - i. By Expanding the Definition of Dependent and Mandate Insurance Coverage of Children to Age 23 or Beyond
 - ii. By Extending Medicaid and/or SCHIP to a Higher Age (such as age 23)

*“Developing Realistic Strategies and Viable Options to Provide
Comprehensive and Affordable Health Insurance Coverage for All Michigan Citizens”*

Status: We are working on all the above options under the consolidated expansion models described below. Emphasis will be on the limited benefit coverage program as it is low cost and easily implemented. To cover the entire target population, and expand the limited basic benefit, a non-DSH source of financing is needed (e.g. Medicaid expansion via section 1115 waiver). Our group would like to work on that aspect as well.

- a. Target Population
 - i. Adults 19-24 with income below 200 percent of poverty
 - ii. Coverage for People in Transition
 - iii. Young Adults (ages 19-24)
 - iv. Coverage for people who lose or cannot get Medicaid coverage or other government sponsored coverage
- b. County Health Plan Model: Expanding Basic Coverage for Low Income Adults
 - i. Limited Benefit Coverage Programs
 - ii. Small Employer Subsidy Programs
 - iii. Volunteer Models

IV. Universal Coverage Sub-Group:

- a. The “Single-Payer” or Social Insurance Approach
Status: We plan on addressing this option in the future.
- b. The Limited Multi-Payer Single State Pool Approach
Status: We are currently working on this option

V. Strategies to Maximize Coverage:

- a. Outreach to Eligibles not Enrolled in Public Programs

Financing Mechanisms for Coverage Expansion Modes

1. Vouchers to Low-Income Households
2. Tax Credits for Individuals to Compensate Them for Purchasing Coverage
3. Tax Credits for Employers to Encourage Them to Offer Coverage
4. Health Savings Accounts/Medical Savings Accounts
5. Enhanced Rate to State-Subsidized, Low-Wage Employers to Encourage them to Offer Health Insurance to their Employees (direct care workers in long-term care, childcare workers, etc.)